



The Industrial Development Authority
of the City of Tucson

**THE INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE CITY OF TUCSON, ARIZONA**

LOAN REVIEW COMMITTEE

**Wednesday, May 6, 2020
2:00 p.m.**

Business Development Finance Corporation
333 N. Wilmot Road, Suite 227, Tucson, Arizona 85711

Via teleconference: Call: 520-623-3377 Dial: 5 Password: 1342#

Minutes

Present: Board Members

Sandra Barton
Judy Clinco
Patricia Schwabe

Advisors

Gary Molenda, BDFC Advisor Services, LLC
Karen Valdez, BDFC Advisor Services, LLC

Due to the impacts of the COVID-19 pandemic, which have prompted declarations of a public health emergency at both the state and federal levels, this meeting was conducted using measures to protect public health. The Loan Review Committee of The Industrial Development Authority of the City of Tucson, Arizona (the “**Authority**”) was held on **Wednesday May 6, 2020**, at the office of Business Development Finance Corporation, 333 N. Wilmot Road, Suite 227, Tucson, AZ 85711 and via teleconference. All Authority’s Committee Members and the general public were duly notified of the meeting.

ITEM	ACTION TAKEN/TO BE TAKEN
1. Call to Order	The meeting was called to order at 2:03 p.m.
2. Request for Approval of the minutes of the Loan Review Committee for the meetings held Wednesday, January 15, 2020.	A MOTION was made and seconded (J. Clinco / P. Schwabe) to approve the minutes of the meeting held January 15, 2020 as presented. Motion carried
3. Review and request for recommendation to the Board of Directors of the Authority concerning a request from Business Development Finance Corporation (“BDFC”) for investment in a loan program with BDFC, and potentially others, to address 2nd Phase COVID-19 loan funding to assist small businesses. G. Molenda provided a summary of the CARES Act Payroll Protection Plan (PPP) loans issued in the first allocation of funds, noting the following: <ul style="list-style-type: none">• PPP loans are designed to allow small businesses to receive funds for the purpose of keeping employees on the payroll;• PPP loans are not traditional: no underwriting, loans are sized at 2.5 x the average monthly payroll in the last year;• All liability and responsibility is on the Borrower and risk free to the Lender; 100% guaranteed by Government;	No action taken.

Approved May 13, 2020

- PPP is intended to be a bridge loan; BDFC deployed all funds that were provided, and pooled, from partners such as: The Industrial Development Authority of the City of Tucson (Tucson IDA), Community Foundation for Southern Arizona (CFSA), Growth Partners Arizona (GPaz), and City of Tucson (COT)

G. Molenda stated that the COT is currently at a pause to figure out segments of the community who need assistance. It was noted that in **Phase 2** of reopening, small businesses will need additional funding for: technical assistance, equipment and working capital.

S. Barton stated that as stewards of the Tucson IDA funds, assistance should be provided in some way, but must be done so cautiously. It is also important to note that the Tucson IDA is not the only source for funds and there are other agencies who are better suited for this as they are able to provide grants.

J. Clinco provided info from a Health Care business owners standpoint:

- Increased demand for home care
- Training is needed for Caregivers: over **50%** of deaths in Pima County is from Nursing Homes
- Home Care – non-medical (hybrid): Nurse assesses but do not provide medical care.
 - There are **72** home care providers in Tucson and these hybrids have no accountability
 - Lobbyists have been hired to get some sort of regulation oversight for people who are paying with tax dollars under the Arizona Long Term Care System (ALTCS); preference is for higher regulation.
- There needs to be a re-ordering of how City's and County's serve this segment of the population: employees need to be competent.
- Technical Assistance will need to be directed to training for competency in order to re-open successfully. It was noted that dog groomers are required to have more training than a home health care provider.

P. Schwabe provided info from a downtown small business owners standpoint:

- Downtown businesses that had to close are still waiting on status of their PPP loans.
- Owners will be subject to different use of square footage, per Federal Standards and are waiting for guidance from the Federal Government.
- Loans will be needed after PPP in **8 weeks**; after **June 30**. The challenge will be getting through the summer months, which is the slowest time of the year for the food-beverage & hospitality industry. It will be difficult for an employer to support their businesses over the summer months without having the revenue that would have been earned in the first **2** quarters of the year.

G. Molenda: What will re-opening look like?

- In normal times, very precise: review of credit including historical and current financial information to determine risk.
- Today, historical information has little or no value. The situation has changed dramatically.

S. Barton reviewed issues identified:

<ol style="list-style-type: none"> 1. Provide funds for training for home health; food, beverage and hospitality industry, etc. 2. Equipment that will be needed: Personal Protective Equipment (PPE), wash cloths and gloves to avoid cross contamination, etc. 3. Operations: technology upgrades; funds for re-opening costs, marketing – how to get the message out, etc. 4. What does a repayment structure look like? <p>Discussion ensued as follows:</p> <p>S. Barton stated that the Tucson IDA is here to assist but needs to be wise in lending. The Prime interest rate is 3.25% and it is recommended that the Tucson IDA not go below that.</p> <p>P. Schwabe stated that businesses aren't going to want to get another loan especially at 3.25% and proposed that instead of providing loans the Tucson IDA can allocate \$100,000 to hire a marketing group or someone who can provide technical assistance, etc. Therefore the Tucson IDA would be providing a service.</p> <p>G. Molenda stated that CFSA is working on training platforms and modules to assist small businesses.</p> <p>L. Lucero stated that recovery efforts will be long term and will need to be adjusted, possibly every 6 months.</p> <p>It was the consensus of the Committee that Sandra Barton send out a memo outlining issues identified and request comments/suggestions from the full Board. The Committee can reconvene on Wednesday, May 13th at 2:00 p.m. to review comments and form a recommendation to be presented at the next regular meeting on Thursday, May 21st.</p>	
4. Discussion and request for recommendation to the Board of Directors of the Authority, for potential revisions to the Authority's loan process, programs, and policy.	No action taken.
5. Adjourn	A MOTION was made and seconded (J. Clinco / P. Schwabe) to adjourn meeting at 3:06 p.m. Motion carried

Submitted by:
Karen J. Valdez
 BDFC Advisor Services, LLC

Approved by:
Sandra Barton, Chair of the Loan Review Committee
The Industrial Development Authority of the
City of Tucson, Arizona